

DEPARTMENT OF STATE REVENUE
LETTER OF FINDINGS NUMBER: 99 - 0499 AGI
ADJUSTED GROSS INCOME TAX
FOR TAX PERIODS: 1997

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Issues

Adjusted Gross Income Tax: Imposition

Authority: IC 6-3-2-1, IC 6-3-1-3.5, 26 U.S.C.A. Sec. 61.

Taxpayer protests the imposition of the adjusted gross income tax on a portion of his income.

Statement of Facts

Taxpayer protested an assessment of Indiana Adjusted Gross Income Tax on certain income received in 1997. Further facts will be provided as necessary.

Adjusted Gross Income Tax: Imposition

Discussion

Taxpayer was a professional athlete from 1986 through 1988 and a resident of a state other than Indiana. During this time period, Taxpayer became a victim of collusive practices by ownership and management of the professional sport. Therefore, he became entitled to a settlement, which was paid in 1997.

Taxpayer filed a 1997 federal income tax form reporting federal adjusted gross income of \$163,740. Taxpayer filed a 1997 Indiana state tax return reporting total Indiana income of \$70,574. The difference of \$93,166 represents amounts received in 1997 from the settlement.

Indiana imposes an adjusted gross income tax on income received by Indiana residents during a tax year. IC 6-3-2-1. In determining their Indiana adjusted gross income, Indiana residents start with their federal adjusted gross income and make certain statutorily defined modifications. IC 6-3-1-3.5. Taxpayer reported \$163,740 as his federal adjusted gross income in 1997. This included \$93,166 received as a settlement from the lawsuit. This amount was compensation for his personal services for an employer. As such, this amount is included in Taxpayer's gross income in the year of receipt. 26 U.S.C.A. Sec. 61. To determine his Indiana adjusted gross income, Taxpayer should have reported the same \$163,740. Rather, Taxpayer deducted a portion of the income he received in 1997. This resulted in an artificially low Indiana adjusted gross income and an underpayment of Indiana Adjusted Gross Income Tax.

Finding

Taxpayer's protest is denied.